

## Message Text

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11/15

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 FEA-01 ERDA-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00

FRB-01 PA-02 PRS-01 /117 W

----- 114333

R 121300Z MAY 75 ZEL  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 4279  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY TEHRAN  
AMEMBASSY VIENNA  
USEC BRUSSELS 834  
USOECN PARIS  
AMCONSUL DHAHRAN

UNCLAS BEIRUT 6006

C O R R E C T E D C O P Y (ADDITION OF COMPLETED SUMMARY AND  
PARA 1.)

E.O. 11652: N/A

TAGS: ENRG, OPEC, SA

SUBJECT: SAUDI CONDITIONS FOR COOPERATION

SUMMARY: MAY 9 MIDDLE EAST ECONOMIC SURVEY (MEES)  
QUOTES ANONYMOUS "AUTHORITATIVE SAUDI SOURCE" TO EFFECT  
THAT CONTINUED SAUDI "MODERATION" ON OIL PRICES AND  
PRODUCTION CONTROLS DEPENDS ON ACTIVE EFFORTS BY INDUS-  
TRIALIZED CONSUMERS AT MEANINGFUL DIALOGUE WHICH  
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MUST INCLUDE NON-ENERGY CONCERNS CITED IN OPEC SOLEMN

DECLARATION. ACCORDING MEES ARTICLE, QUESTION ABOUT CONSEQUENCES LAST MONTH'S PARIS PREPCOM PRODUCED THREE SCENARIOS BELOW. THE MEES SOURCE INDICATED SCENARIO ONE STILL PREVAILS AND WAS DESCRIBED AS OPTIMISTIC ABOUT ANOTHER PARIS PREPCOM TO ARRANGE FULL CONFERENCE PARTICIPATION AND AGENDA. WHAT FOLLOWS IS VERBATIM MEES EXPOSITION OF THREE ALTERNATIVE SAUDI POLICIES. END SUMMARY.

1. "THE INDUSTRIALIZED CONSUMERS WOULD COME ROUND TO ENTERING INTO A MEANINGFUL DIALOGUE WITH THE PRODUCERS IN SINCERITY AND GOOD FAITH - IN WHICH CASE SAUDI ARABIA WOULD CONTINUE TO MAINTAIN ITS TRADITIONAL POLICY WITHIN OPEC OF MODERATION IN RESPECT OF PRICES AND PRODUCTION CONTROLS. HOWEVER, SUCH A DIALOGUE COULD NOT, OF COURSE, BE RESTRICTED TO ENERGY ALONE BUT WOULD ALSO HAVE TO ENCOMPASS THE OTHER PRESSING PROBLEMS OF THE THIRD WORLD OUTLINED IN THE SOLEMN DECLARATION OF THE OPEC SUMMIT LAST MARCH, KQ AS RAW MATERIALS OTHER THAN OIL, REFORM OF THE WORLD MONETARY SYSTEM, AND THE MAINTENANCE OF THE PURCHASING POWER OF THE CURRENT REVENUES AND FINANCIAL ASSETS OF THE PRODUCERS.

2. "THE SECOND SCENARIO WOULD COME INTO PLAY IF THE CONSUMERS SHOWED THEMSELVES TO BE NOT SERIOUSLY INTERESTED IN PROMOTING A CONSTRUCTIVE DIALOGUE, BUT MERELY RELYING UPON THE MODERATION OF SAUDI ARABIA TO COUNTERBALANCE THE HAWKISHNESS OF OTHER PRODUCERS AND THUS KEEP OIL SUPPLIES PLENTIFUL AND PRICES DOWN. IN SUCH A CASE, SAUDI ARABI WOULD BE OBLIGED TO MODIFY ITS POLICY AND GO ALONG WITH THE EFFORTS OF THE OTHER PRODUCERS TO THE EXTENT OF PERMITTING OIL PRICES TO BE RAISED BY SOME REASONABLY MODEST AMOUNT BY A DECISION OF OPEC - WHICH WOULD PPOBABLY HAVE TO BE BACKED BY SOME DEGREE OF JOINT REGULATION OF PRODUCTION. THE PURPOSE OF SUCH A MOVE WOULD BE NOT TO BRING THE INDUSTRIALIZED WOOLD TO ITS KNEES, BUT SIMPLY TO DEMONSTRATE IN A PRACTICAL FASHION THAT THE CONSUMERS CANNOT HOPE TO BRING ABOUT A COLLAPSE

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OF OPEC AND OF OIL PRICES THROUGH THEIR CURRENT TACTICS OF REDUCING CONSUMPTION. THESE MOVES WOULD THEN EITHER (A) CONVINCE THE CONSUMERS THAT A SEIOUS DIALOGUE AS ENVISAGED IN SCENARIO (1) WOULD BE THE WISEST COURSE, OR (B) LEAD TO A FURTHER DETERIORATION OF CONSUMER-PRODUCER RELATIONS TWARDS A SHOW-DOWN IN LINE WITH SCENARIO (3) BELOW.

3. "THE THIRD SCENARIO - THAT OF A NO-HOLDS-BARRED  
CONFRONTATION BETWEEN THE TWO SIDES - WOULD INEVITABLY  
RESULT IN THE COMPLETE ABANDONMENT OF SAUDI  
ARABIA'S MODERATE STAND. SAUDI ARABIA WOULD THEN  
JOIN FORCES WITH ITS OPEC PARTNERS TO DEFEND  
THEIR INTERESTS WITH ALL THE MEANS AT THEIR DISPOSAL,  
INCLUDING STRINGENT PRODUCTION CUTBACKS IF NECESSARY."  
GODLEY

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